

LAW OFFICES
STUBBLEFIELD, BRISTER & SCHOOLCRAFT
A PROFESSIONAL CORPORATION

JAMES L. BRISTER
ALAN L. SCHOOLCRAFT
CHARLES R. STUBBLEFIELD

REGISTRATION NO. 5837
FIRM 1988

SISK-VAN VOORHIS PROFESSIONAL BUILDING
2117 PAT BOOKER ROAD, SUITE A
UNIVERSAL CITY, TEXAS 78148
(512) 659-1956

INTERSTATE COMMERCE COMMISSION

TELECOPIER (512) 659-6307

September 22, 1988

Secretary
Interstate Commerce Commission
Washington, D. C. 20423

RE: Our File No. 2252.1

Dear Ladies or Gentlemen:

8-270A040
No. SEP 26 1988
Date
Fee \$ 39.00

ICC Washington, D.C.

Enclosed are two copies of the document, described below, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

The primary document is of security agreement dated August 25, 1988. The names and addresses of the parties to the document are as follows:

Mortgagor: Texas Southern Railroad, Inc.
P. O. Box 5752
San Antonio, TX 78201

Mortgagee: Mr. Willard L. King
8620 N. New Braunfels
San Antonio, TX 78217

100 OFFICE OF
THE SECRETARY
SEP 26 11 10 AM '88
MOTOR OPERATING UNIT

The equipment covered by the document is described as follows:

TS 100 (ex-USS 723A) F7-A unit EMD Locomotive, Built 6/52, Serial No. 16595
TS 101 (ex-USS 723B) F7-B unit EMD Locomotive, Built 2/53, Serial No. 17913
TS 102 (ex-USS 724A) F7-A unit EMD Locomotive, Built 6/52, Serial No. 16596
TS 103 (ex-USS 724B) F7-B unit EMD Locomotive, Built 2/53, Serial No. 17914
TS 104 (ex-USS 726A) F7-A unit EMD Locomotive, Built 2/53, Serial No. 17910
TS 105 (ex-USS 726B) F7-B unit EMD Locomotive, Built 2/53, Serial No. 17920
TS 107 (ex-USS 712B) F7-B unit EMD Locomotive, Built 3/51, Serial No. 13689
Ex-ATSF 3118, Budd 1938, Lot 999B, Bar 46-seat Lounge Passenger Car

Interstate Commerce Commission
September 22, 1988
Page 2

Ex-SF 1388, Budd 1941, Lot 96907, Bar 48-seat Lounge,
Newstand, Nurse Room
Ex-SF 1389, Budd 1941, Lot 96907, Bar 48-seat Lounge,
Newstand, Nurse Room
Ex-NYC 406, Budd 1947, Lot 9610-023, 68 seat Diner Table Car
Amtrak 8300 (ex-C&O 1920) Budd 1948, Lot 9672-017, BE
Observation 48 seat Diner
Amtrak 9545 (ex-BN 4730) Budd 1947, Lot 9846-015, California
Zephyr 52 seat Dome Coach
EX-IC 4128, Pullman Standard 1950, Plan 7605, 68 seat Dining
Car
EX-IC 4128A, Pullman Standard 1950, Plan 7607, Kitchen
Dormitory
Ex-RI 855, Budd 1953, Lot 9605-136, Baggage Car

A fee of \$50.00 is enclosed for recordation of one of the enclosed original security agreements as a primary document. Please return the other copy of the security agreement with recording verification to me at 2117-A Pat Booker Road, Universal City, Texas 78148.

A short summary of the document, to appear in the index, follows:

Security Agreement between Texas Southern Railroad, Inc., P. O. Box 5752 San Antonio, Texas 78201 and Willard L. King 8620 N. New Braunfels, San Antonio, TX 78217 dated August 25, 1988 and covering the following railroad cars:

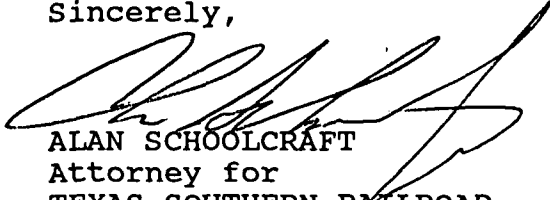
TS 100 (ex-USS 723A) F7-A unit EMD Locomotive, Built 6/52,
Serial No. 16595
TS 101 (ex-USS 723B) F7-B unit EMD Locomotive, Built 2/53,
Serial No. 17913
TS 102 (ex-USS 724A) F7-A unit EMD Locomotive, Built 6/52,
Serial No. 16596
TS 103 (ex-USS 724B) F7-B unit EMD Locomotive, Built 2/53,
Serial No. 17914
TS 104 (ex-USS 726A) F7-A unit EMD Locomotive, Built 2/53,
Serial No. 17910
TS 105 (ex-USS 726B) F7-B unit EMD Locomotive, Built 2/53,
Serial No. 17920
TS 107 (ex-USS 712B) F7-B unit EMD Locomotive, Built 3/51,
Serial No. 13689
Ex-ATSF 3118, Budd 1938, Lot 999B, Bar 46-seat Lounge
Passenger Car
Ex-SF 1388, Budd 1941, Lot 96907, Bar 48-seat Lounge,
Newstand, Nurse Room
Ex-SF 1389, Budd 1941, Lot 96907, Bar 48-seat Lounge,
Newstand, Nurse Room

Interstate Commerce Commission
September 22, 1988
Page 3

Ex-NYC 406, Budd 1947, Lot 9610-023, 68 seat Diner Table Car
Amtrak 8300 (ex-C&O 1920) Budd 1948, Lot 9672-017, BE
Observation 48 seat Diner
Amtrak 9545 (ex-BN 4730) Budd 1947, Lot 9846-015, California
Zephyr 52 seat Dome Coach
EX-IC 4128, Pullman Standard 1950, Plan 7605, 68 seat Dining
Car
EX-IC 4128A, Pullman Standard 1950, Plan 7607, Kitchen
Dormitory
Ex-RI 855, Budd 1953, Lot 9605-136, Baggage Car

Thank you for your assistance with this transaction. Please
contact me immediately if you have any questions or needs.

Sincerely,



ALAN SCHOOLCRAFT
Attorney for
TEXAS SOUTHERN RAILROAD

AS/jc

Interstate Commerce Commission
Washington, D.C. 20423

9/26/88

OFFICE OF THE SECRETARY

Alan Schoolcraft
Stubblefield Brister & Schoolcraft
Sisk Van Voorhis Professional Building
2117 Pat Booker Rd. Suite A.
Universal City Texas 78148

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 9/26/88 at 11:15am , and assigned recordation number(s). 15837

Sincerely yours,

Narita L. McEa
Secretary

Enclosure(s)

SECURITY AGREEMENT

1 5837
RECORDATION NO. _____ FILE NO. _____

SEP 26 1988 - 11 15 PM

INTERSTATE COMMERCE COMMISSION

Date: August 25, 1988

Debtor: TEXAS SOUTHERN RAILROAD, INC.

Debtor's Mailing Address (including county):

P. O. Box 5752
San Antonio, TX 78201
Bexar County

Secured Party: Willard L. King

Secured Party's Mailing Address (including county):

8620 N. New Braunfels
San Antonio, Texas 78217
Bexar County

Classification of Collateral: equipment and inventory

Collateral (including all accessions): The following railroad cars:

TS 100 (ex-USS 723A) F7-A unit EMD Locomotive, Built 6/52,
Serial No. 16595
TS 101 (ex-USS 723B) F7-B unit EMD Locomotive, Built 2/53,
Serial No. 17913
TS 102 (ex-USS 724A) F7-A unit EMD Locomotive, Built 6/52,
Serial No. 16596
TS 103 (ex-USS 724B) F7-B unit EMD Locomotive, Built 2/53,
Serial No. 17914
TS 104 (ex-USS 726A) F7-A unit EMD Locomotive, Built 2/53,
Serial No. 17910
TS 105 (ex-USS 726B) F7-B unit EMD Locomotive, Built 2/53,
Serial No. 17920
TS 107 (ex-USS 712B) F7-B unit EMD Locomotive, Built 3/51,
Serial No. 13689
Ex-ATSF 3118, Budd 1938, Lot 999B, Bar 46-seat Lounge
Passenger Car
Ex-SF 1388, Budd 1941, Lot 96907, Bar 48-seat Lounge,
Newstand, Nurse Room
Ex-SF 1389, Budd 1941, Lot 96907, Bar 48-seat Lounge,
Newstand, Nurse Room
Ex-NYC 406, Budd 1947, Lot 9610-023, 68 seat Diner Table Car
Amtrak 9545 (ex-BN 4730) Budd 1947, Lot 9846-015, California
Zephyr 52 seat Dome Coach
EX-IC 4128, Pullman Standard 1950, Plan 7605, 68 seat Dining
Car
EX-IC 4128A, Pullman Standard 1950, Plan 7607, Kitchen
Dormitory
Ex-RI 855, Budd 1953, Lot 9605-136, Baggage Car

Prior Liens: First lien held by Fidelity Bank. N.A.

Obligation
Note

Date: July 28, 1988

Amount: SEVENTY NINE THOUSAND FOUR HUNDRED THIRTY-ONE
AND 50/100 DOLLARS (\$79,431.50)

Maker: TEXAS SOUTHERN RAILROAD, INC.

Payee: WILLARD L. KING

Final Maturity Date: 180 days from the date of the note

Terms of Payment (optional):as therein provided

Subject to the terms of this agreement, Debtor grants to Secured Party a security interest in the collateral and all its proceeds to secure payment and performance of Debtor's obligation in this security agreement and all renewals and extensions of any of the obligation.

The note secured hereby represents cash advanced plus the renewal and extension of three prior promissory notes executed by Texas Southern Railroad, Inc. and payable to Willard L. King. The first is dated November 30, 1987 in the amount of \$31,374.05; the second is dated December 3, 1987 in the amount of \$15,000.00; and the third is dated July 1, 1988 in the amount of \$15,000.00.

Debtor's Warranties

1. This lien is secondary to a first lien on the collateral currently existing in favor of prior lenders.

2. Ownership. Debtor owns the collateral and has the authority to grant this security interest. Ownerships free from any setoff, claim, restriction, lien, security interest, or encumbrance except this security interest and liens for taxes not yet due.

3. Fixtures and Accessions. None of the collateral is affixed to real estate, is an accession to any goods, is commingled with other goods, or will become a fixture, accession, or part of a product or mass with other goods except as expressly provided in this agreement.

4. Financial Statements. All information about Debtor's financial condition provided to Secured Party was accurate when submitted, as will be any information subsequently provided.

Debtor's Covenants

1. Protection of Collateral. Debtor will defend the collateral against all claims and demands adverse to Secured Party's interest in it and will keep it free from all liens except those for taxes not yet due and from all security interests except this one. The collateral will remain in Debtor's possession or control at all times, except as otherwise provided in this agreement. Debtor will maintain the collateral in good condition and protect it against misuse, abuse, waste, and deterioration except for ordinary wear and tear resulting from its intended use.

2. Insurance. Debtor will insure the collateral in accord with Secured Party's reasonable requirements regarding choice of carrier, casualties insured against, and amount of coverage. Policies will be written in favor of Debtor and Secured Party according to their respective interest or according to Secured Party's other requirements. All policies will provide that Secured Party will receive at least ten days' notice before cancellation, and the policies or certificates evidencing them will be provided to Secured Party when issued. Debtor assumes all risk of loss and damage to the collateral in the extent of any deficiency in insurance coverage. Debtor irrevocably appoints Secured Party as attorney-in-fact to collect any return, unearned premiums, and proceeds of any insurance on the collateral and to endorse any draft or check deriving from the policies and made payable to Debtor.

3. Secured Party's Costs. Debtor will pay all expenses incurred by Secured Party in obtaining, preserving, perfecting, defending, and enforcing this security interest or the collateral and in collecting or enforcing the note. Expenses for which Debtor is liable include, but are not limited to, taxes, assessments, reasonable attorney's fees, and other legal expenses. These will pay Secured Party this interest on demand at a time and place reasonably specified by Secured Party. These

expenses and interest will be part of the obligation and will be recoverable as such in all respects.

4. Additional Documents. Debtor will sign any papers that Secured Party considers necessary to obtain, maintain, and perfect this security interest or to comply with any relevant law.

5. Notice of Changes. Debtor will immediately notify Secured Party of any material change in the collateral change in Debtor's name, address, or location; change in any matter warranted or represented in this agreement; change that may affect this security interest; and any event of default.

6. Use and Removal of Collateral. Debtor will use the collateral primarily according to the stated classification unless Secured Party consents otherwise in writing. Debtor will not permit the collateral to be affixed to any real estate, to become an accession to any goods, to be commingled with other goods, or to become a fixture, accession, or part of a product or mass with other goods except as expressly provided in this agreement.

7. Sale. Debtor will not sell, transfer, or encumber any of the collateral without the prior written consent of Secured Party.

Rights and Remedies of Secured Party

1. Generally. Secured Party may exercise the following rights and remedies either before or after default:

- a. take control of any proceeds of collateral;
- b. release any collateral in Secured Party's possession to any debtor, temporarily or otherwise;
- c. take control of any funds generated by the collateral, such as refunds from all proceeds of insurance, and reduce any part of the obligation accordingly or permit Debtor to use such funds to repair or replace damaged or destroyed collateral covered by insurance; and
- d. demand, collect, convert, redeem, settle, compromise, receipt for, realize on, adjust, sue for, and foreclose on the collateral either in Secured Party's or Debtor's name, as Secured Party desires.

2. Insurance. If Debtor fails to maintain insurance as required by this agreement or otherwise by Secured Party, then Secured Party may purchase single-interest insurance coverage that will protect only Secured Party. If Secured Party purchases the insurance, its premiums will become part of the obligation.

Events of Default

Each of the following conditions is an event of default:

1. if Debtor defaults in timely payment or performance of any obligation, covenant, or liability in any written agreement between Debtor and Secured Party or in any other transaction secured by this agreement;

2. if any warranty, covenant, or representation made to Secured Party by or on behalf of Debtor proves to have been false in any material respect when made;

3. if a receiver is appointed for Debtor or any of the collateral;

4. if the collateral is assigned for the benefit of creditors or, by any of these parties: Debtor; any partnership of which Debtor is general partner; any maker, drawer, acceptor, endorser, guarantor, surety, accommodation party, or other person liable on or for any part of the obligation;

5. if any financing statement regarding the collateral but not related to this security interest and not favoring Secured Party is filed;

6. if any lien attaches to any of the collateral;

7. if any of the collateral is lost, stolen, damaged, or

destroyed, unless it is promptly replaced with collateral of like quality or restored to its former condition.

Remedies of Secured Party on Default

During the existence of any event of default, secured Party may declare the unpaid principal and earned interest of the obligation immediately due in whole or part, enforce the obligation, and exercise any rights and remedies granted by the Texas Uniform Commercial Code or by this agreement, including the following:

1. require Debtor to deliver to Secured Party all books and records relating to the collateral;

2. require Debtor to assemble the collateral and make it available to Secured Party at a place reasonably convenient to both parties;

3. take possession of any of the collateral and for this purpose enter any premises where it is located if this can be done without breach of the peace;

4. sell, lease, or otherwise dispose of any of the collateral in accord with the rights, remedies, and duties of a secured party under chapters 2 and 9 of the Texas Uniform Commercial Code after giving notice as required by those chapters; unless the collateral threatens to decline speedily in value, is perishable, or would typically be sold on a recognized market, Secured Party will give Debtor reasonable notice of any public sale of the collateral or of a time after which it may be otherwise disposed of without further notice to Debtor; in this event, notice will be deemed reasonable if it is mailed, postage prepaid, to Debtor at the address specified in this agreement at least ten days before any public sale or ten days before the time when the collateral may be otherwise disposed of without further notice to Debtor;

5. surrender any insurance policies covering the collateral and receive the unearned premium;

6. apply any proceeds from disposition of the collateral after default in the manner specified in chapter 9 of the Texas Uniform Commercial Code, including payment of Secured Party's reasonable attorney's fees and court expenses. Any amounts paid by Secured Party to a prior lienholder in satisfaction of said lienholder's claim shall be considered part of the expenses of retaking, holding, preparing for sale and selling the collateral. All of Secured Party's reimbursable expenses shall accrue interest at the rate of 18% per annum from the date expended until the date of reimbursement.

7. if disposition of the collateral leaves the obligation unsatisfied, collect the deficiency from Debtor.

8. Grace Period: In the event the indebtedness hereby secured is not held by Willard L. King personally, then the remedies provided in paragraph 4 above shall be subject to the following conditions precedent:

In the event of default and after acceleration of the indebtedness, the holder shall give notice of such acceleration to Maker. On receipt of such notice, Maker shall have a period of 90 days to pay to holder all amounts due, including reasonable attorney's fees. During such period, Maker shall have the right to dispose of any of the collateral at a commercially reasonable price. Maker shall release such disposed of collateral from this lien after receiving the full amount of such sale proceeds, less any reasonable Broker's commission paid by Maker for such sale.

General Provisions

1. Parties Bound. Secured Party's rights under this agreement shall inure to the benefit of its successors and assigns. Assignment of any part of the obligation and delivery by Secured Party of any part of the collateral will fully discharge Secured Party from responsibility for that part of the collateral will fully discharge Secured Party from responsibility

for that part of the collateral. If Debtor is more than one, all their representations, warranties, and agreements are joint and several. Debtor's obligations under this agreement shall bind Debtor's personal representatives,

2. Waiver. Neither delay in exercise nor partial exercise of any Secured Party's remedies or rights shall waive further exercise of those remedies or rights. Secured Party's failure to exercise remedies or rights does not waive subsequent exercise of those remedies or rights. Secured Party's waiver of any default does not waive further default. Secured Party's waiver of any right in this agreement or any default in binding only if it is in writing. Secured Party may remedy any default without waiving it.

3. Reimbursement. If Debtor fails to perform any of debtor's obligations, Secured Party may perform those obligations and be reimbursed by Debtor on demand at the place where the note is payable for any sums so paid, including attorney's fees and other legal expenses, plus interest on those sums from the dates of payment at the rate stated in the note for matured, unpaid amounts. The sum to be reimbursed shall be secured by this security agreement.

4. Interest Rate. Interest included in the obligation shall not exceed the maximum amount of nonusurious interest that may be contracted for, taken, reserved, charged, or received under law; any interest in excess of that maximum amount of nonusurious interest that may be contracted for, taken, reserved, charged, or received under law; any interest in excess of that maximum amount shall be credited to the principal of the obligation or, if that has been paid, refunded. On any acceleration or required or permitted prepayment of the obligation, any such excess shall be canceled automatically as of the acceleration of prepayment or, if already paid, credited on the principal amount of the obligation or, if the principal amount has been paid, refunded. This provision overrides other provisions in this and all other instruments concerning the obligation.

5. Modifications. No provisions of this agreement shall be modified or limited except by written agreement.

6. Severability. The unenforceability of any provision of this agreement will not affect the enforceability or validity of any other provision.

7. After-Acquired Consumer Goods. This security interest shall attach to after-acquired consumer goods only to the extent permitted by law.

8. Applicable Law. This agreement will be construed according to Texas laws.

9. Place of Performance. This agreement is to be performed in the county of Secured Party's mailing address.

10. Financing Statement. A carbon, photographic, or other reproduction of this agreement or any financing statement covering the collateral is sufficient as financing statement.

11. Presumption of Truth and Validity. If the collateral is sold after default, recitals in the bill of sale or transfer will be prima facie evidence of their truth, and all prerequisites to the sale specified by this agreement and by the Texas Uniform Commercial Code will be presumed satisfied.

12. Singular and Plural. When the context requires, singular nouns and pronouns include the plural.

13. Priority of Security Interest. This security interest shall neither affect nor be affected by any other security for any of the obligation. Neither extensions of any of the obligation or releases of any of the collateral will affect the priority or validity of this security interest with reference to any third person.

14. Cumulative Remedies. Foreclosure of this security interest by suit does not limit Secured Party's remedies, including the right to sell the collateral under the terms of this agreement.

15. Agency. Debtor's appointment of Secured Party as Debtor's agent is coupled with an interest and will survive any

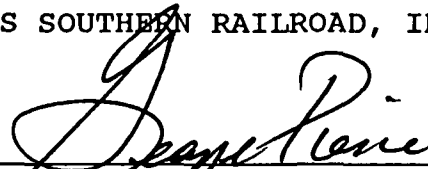
disability of Debtor.

16. Attachments Incorporated. The addendum indicated below is attached to this agreement and incorporated into it for all purposes:

- () addendum relating to accounts, inventory, documents, chattel paper, and general intangibles.
- () Addendum relating to instruments

TEXAS SOUTHERN RAILROAD, INC.

BY:

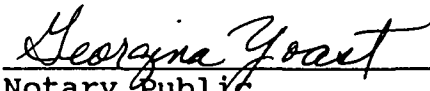

GEORGE PIERCE, PRESIDENT

CORPORATE ACKNOWLEDGMENT

STATE OF TEXAS
COUNTY OF BEXAR

This instrument was acknowledged before me on the 8th day of September, 1988, by GEORGE PIERCE, President of TEXAS SOUTHERN RAILROAD, INC., a corporation, on behalf of said corporation.

My commission expires:
7/29/91


Notary Public